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281

25X1

**Page Denied**

Top Secret

25X1

## Contents

[Redacted]

El Salvador: *Heavy Fighting Imminent* . . . . . 2

25X1

Japan: *Nakasone Stands Fast* . . . . . 3

25X1

[Redacted]

Spain-NATO: *Status of Integration* . . . . . 5

Saudi Arabia: *Coping With Lower Revenues* . . . . . 6

25X1

[Redacted]

Lebanon-PLO: *Talks on Withdrawal* . . . . . 8

Guatemala: *New Military Operation Planned* . . . . . 9

Morocco: *Impact of Key Adviser's Death* . . . . . 9

Poland: *Campaign Against Walesa* . . . . . 10

Hungary: *Moving Against Dissidents* . . . . . 10

West Africa: *Increasing Concern Over Refugees* . . . . . 11

China-Iran: *Bid To Improve Relations* . . . . . 11

## Special Analysis

Austria-US: *Visit of Chancellor Kreisky* . . . . . 12

25X1

Top Secret

25X1

28 January 1983

**Page Denied**



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25X1

Top Secret  
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25X1

## EL SALVADOR: Heavy Fighting Imminent

*Government and insurgent forces are poised for a major clash in northern Morazan Department as guerrilla activity increases elsewhere in the country.* [redacted]

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Several thousand government troops are about to advance across the Torola River against a smaller but well-trained and well-equipped guerrilla force. Senior military leaders are concerned about the possibility of heavy losses as well as the depletion of reserve forces in other areas of the country. [redacted]

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This week the guerrillas have attacked a key bridge in Usulután--one of only two across the Lempa River--and have overrun at least one town near the department capital. They also have launched harassing attacks against major military garrisons in San Salvador and Santa Ana.

[redacted]

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Comment: The battle for northern Morazan will be a critical test of both sides' military capabilities. The Army believes it cannot afford to stand down until it has cleared the region of insurgents and established an occupation force. If the Army succeeds, the guerrillas face at least the temporary loss of their most important sanctuary and a great deal of political capital. [redacted]

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Government forces are likely to retake northern Morazan in the next few weeks, despite sustained guerrilla harassment operations elsewhere. The bulk of the insurgents probably will escape across the Honduran border, however, after making a defensive stand. They almost certainly will try to convert government losses into a propaganda victory. [redacted]

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Top Secret  
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28 January 1983

Top Secret  
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## JAPAN: Nakasone Stands Fast

*Prime Minister Nakasone's strong response to opposition and media criticism of his policies and his statements in Washington indicates he will not back away from his direct approach to solving difficult problems.* [redacted]

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In a speech before the opening session of the Diet on Monday, Nakasone expressed confidence that he can lead Japan to respond positively to international pressures on trade and security issues. He also reemphasized his commitment to administrative and fiscal reform. In a speech on Tuesday, he stressed that Japan has to fulfill its defense responsibility. [redacted]

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Comment: The opposition parties will use the Diet to criticize Nakasone's views on defense and the increase in the defense budget he authorized. On Wednesday the opposition was handed another issue when the prosecutor recommended a guilty verdict in the Lockheed bribery trial of Nakasone's most powerful ally, former Prime Minister Tanaka. The opposition parties are likely to demand that Tanaka resign from the Diet. [redacted]

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Nakasone, however, is not backing away from the challenges. He may actually be trying to throw the opposition off balance by filling the political agenda with many contentious issues, including further defense efforts and constitutional reform. [redacted]

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The Prime Minister has several things working for him. For example, the USSR's tough response to his statements on defense has turned media criticism toward the Soviets. The verdict on Tanaka, which was expected, also has deflected attention from Nakasone's statements on defense. [redacted]

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Opponents in Nakasone's own party are likely to refrain from attacking him. They want to maintain party unity in preparation for elections scheduled for April and June. [redacted]

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Nakasone has one final trump card. He has threatened to dissolve the lower house and force early elections if the opposition parties become disruptive. The opposition is not prepared for an election campaign and thus may refrain from pushing Nakasone too hard. [redacted]

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Top Secret  
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25X1

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Top Secret  
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## SPAIN-NATO: Status of Integration

*There are increasing signs that Spain does not intend to withdraw from NATO, but progress on integration is likely to be slow.*

[redacted]

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Meanwhile, Spain has increased slightly its level of participation in NATO. The government has announced that Moran will attend any North Atlantic Council meeting dealing with the Warsaw Pact's disarmament proposals, and last week it appointed a new ambassador to NATO.

[redacted]

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In addition, a Spanish officer has been selected to attend the NATO defense college, and Spain will send observers to the meetings in mid-February of NATO's Special Consultative Group and High-Level Group. Work also is nearing completion on both a central registry for NATO documents and a link to NATO's integrated communications system.

[redacted]

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Comment: Continuing opposition to NATO from some factions within the Socialist Party and among the general public will cause Madrid to proceed cautiously. The government itself has created significant obstacles by promising a referendum on the issue and by linking NATO membership to Spanish entry into the EC, the extension of NATO guarantees to Spanish enclaves in North Africa, and progress on the Gibraltar issue. If there is no progress in these areas, the government may delay the process of military integration.

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Top Secret  
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## SAUDI ARABIA: Coping With Lower Revenues

*The Saudi Government has announced plans to push ahead for now with its economic development program, using its large financial reserves to make up for the current loss of oil revenue.* [redacted]

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Finance Minister Aba al-Khayl told US businessmen on Sunday that Riyadh has no plans to reduce "any part" of the program. He noted that, with new urban centers and basic economic facilities essentially completed, emphasis will continue to be placed on health and education, development of remote areas, and capital-intensive industry. The private sector will play a major role in the latter area. [redacted]

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The Minister says Riyadh intended to continue foreign aid "within the limit of available resources." He supports increased subscriptions to the IMF but says Riyadh has not yet decided whether to make additional funds available to the Fund. [redacted]

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Comment: The Finance Minister probably was trying to impress the businessmen with the government's ability to cope with its new financial situation. The Saudis are likely to draw heavily from their reserve holdings for a short time, possibly \$10-20 billion this year. So far the use of reserve assets has been limited. [redacted]

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Top Secret

25X1

## LEBANON-PLO: Talks on Withdrawal

The Lebanese Government is preparing to renew talks with PLO leaders in Tunis on the withdrawal of Palestinian forces from northern Lebanon. A Lebanese negotiating team is scheduled to be in Tunis today, and Prime Minister Wazzan and Foreign Minister Salem plan to meet PLO leaders next week when they visit Tunis for a courtesy call on President Bourguiba. President Jumayyil interpreted a recent letter from PLO chief Arafat as indicating he is willing to withdraw his fighters. [REDACTED]

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Comment: The PLO seems prepared to withdraw its forces as part of an agreement for the removal of all foreign forces from Lebanon. It will be difficult, however, to find countries willing to receive the Palestinian fighters--who may number as many as 16,000--and to arrange for the protection of Palestinian civilians left behind. [REDACTED]

25X1  
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Top Secret

25X1

28 January 1983

**Page Denied**

Top Secret  
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## GUATEMALA: New Military Operation Planned

The Army is focusing its efforts on reducing insurgent activity in the southwest and in Peten Department. A military task force, commanded by the Vice Chief of Staff of the armed forces, has been established at Retalhuleu. [redacted]

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Comment: The assignment of a high-level officer to the task force reflects the priority the Army is giving to bringing insurgent activity in the Atitlan area under control. This suggests that the government is confident it has succeeded in pacifying all but a few pockets of resistance in the Western Highlands. The Peten area apparently remains the other major area of guerrilla activity. [redacted]

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## MOROCCO: Impact of Key Adviser's Death

The accidental death on Tuesday of General Dlimi, King Hassan's most trusted military and intelligence adviser, will place heavy burdens on the King but is unlikely to have a major effect on the country's internal or foreign affairs. Dlimi, in addition to being Director of External Intelligence and Commander of the Saharan War Zone, was Hassan's chief troubleshooter and was often entrusted with sensitive political missions abroad. Hassan has moved quickly to fill the positions held by Dlimi but has been careful to avoid giving any person too much authority. [redacted]

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Comment: [redacted]

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[redacted] Moroccan officials are likely to compete to establish a special relationship with the King. A major concern for Hassan will be to find someone to assume Dlimi's role as a protector of the monarchy should the King die before the 19-year-old Crown Prince is ready to take control. [redacted]

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Top Secret  
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25X1

28 January 1983

Top Secret  
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## POLAND: Campaign Against Walesa

The government is continuing its efforts to vilify Lech Walesa by portraying him as vain and privilege seeking. The US Embassy reports that the campaign appears to be having no effect on the staunch supporters of Solidarity, but some activists believe that Walesa may lose some credibility. One intellectual has asserted that leaders of the Church are now disassociating themselves from Walesa, partly because his reputation has been sullied by the regime's claim last November that it had pictures and tapes of him engaging in compromising sexual activities. [redacted]

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Comment: The campaign is most likely to affect intellectuals, many of whom have been uncomfortable with Walesa's working-class background. Workers, on the other hand, probably are skeptical of what they see and hear in the official media and may be pleased that Walesa appears to be giving the government trouble. The attacks also may be aimed at reducing Western sympathy for Walesa and his ideals. [redacted]

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## HUNGARY: Moving Against Dissidents

The government on Wednesday forced the organizer of the most visible and widely known forum in Budapest for dissident gatherings and distribution of underground literature to move his operation to a less accessible location in an effort to hamper his activities. This action followed weeks of sporadic harassment of dissidents. The party secretary for culture recently called for greater ideological vigilance and denounced dissidents as "oppositional groups." He also reiterated the party's intention to continue tolerating divergent views that do not question the fundamentals of socialism. [redacted]

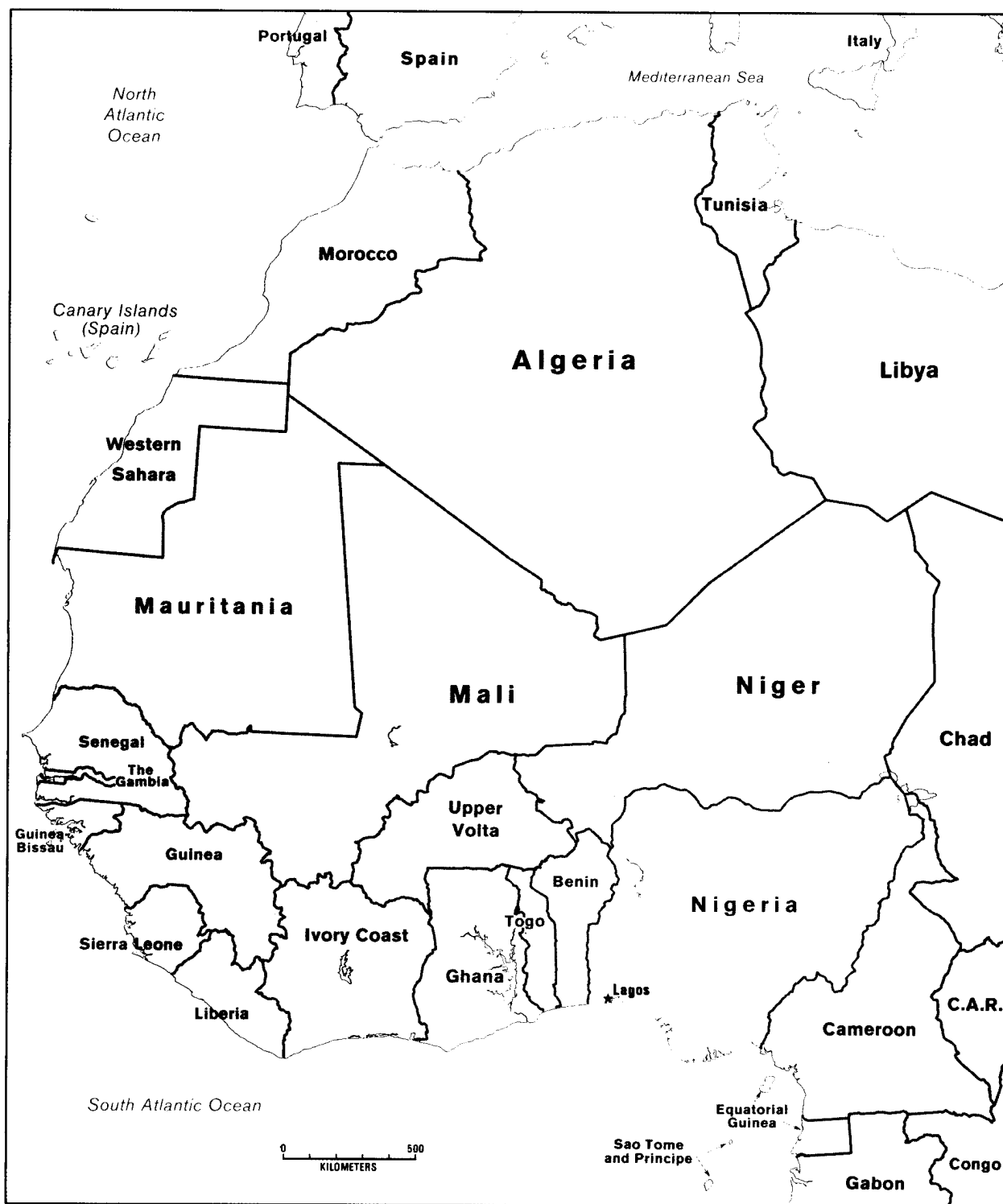
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Comment: The current campaign probably is intended to warn dissidents to curb their activities and to reassure the new Soviet leadership that Hungary is determined to keep its house in order. Although the regime is concerned that its economic austerity measures could broaden the appeal of the dissidents' message, it appears undecided over how hard to crack down. Budapest is unlikely to abandon its tolerant internal policies, however, partly because it wants to protect its liberal image in the West at a time of great financial need. [redacted]

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## WEST AFRICA: Increasing Concern Over Refugees

The US Embassy in Lagos reports that Nigeria's expulsion of illegal aliens has resulted in the chaotic departure of many of the country's estimated 3 million expatriate West Africans. Press reports say that some 100,000 refugees are backed up at Benin's border with Togo and that others are headed overland to Niger. Several thousand Ghanaian refugees are stranded in Togo and Benin because Ghana's borders have been closed since November. [redacted]

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Ghana, Togo, Benin, and Niger are worried about such large numbers of people returning to or transiting their countries. The unstable government in Ghana, in particular, is alarmed at the possibility that up to 2 million refugees might try to return. The refugees massing at the borders lack food and medicine, and violence may erupt soon. [redacted]

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## CHINA-IRAN: Bid To Improve Relations

Foreign Ministry adviser He Ying arrived in Tehran yesterday to hold talks with Iranian officials. He is the first senior Chinese official to visit Iran since former Premier Hua Guofeng met with the Shah in 1978. [redacted]

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Comment: The Chinese were among the first to recognize the Khomeini government, but relations have remained cool because of their earlier support for the Shah and because of Iran's well-founded suspicions that China is providing arms to Iraq. Beijing probably hopes to take advantage of Tehran's current moves to end its self-imposed isolation, and He Ying is likely to warn the Iranians of the continued Soviet threat to the region. China also wants to develop economic ties with Iran, having signed a protocol earlier this month that calls for \$500 million in trade in 1983--more than twice the amount in 1982. The Chinese will seek to ensure, however, that improved relations with Iran do not undermine their ties with Iraq and moderate Arab states. [redacted]

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25X1

28 January 1983

### **Chancellor Bruno Kreisky**



Age 72 . . . seeking a fourth term . . . has been in office longer than any other West European head of government . . . has met every US President since Truman . . . enjoys playing a mediating role in international affairs

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## Special Analysis

### AUSTRIA-US: Visit of Chancellor Kreisky

*Austrian Chancellor and Socialist Party Chairman Kreisky, who will visit Washington next week, will want to exchange views with US officials on such topics of current bilateral interest as technology transfer and nuclear waste disposal. He also will want to review developments in the Middle East and the status of East-West relations. Kreisky, who faces reelection, hopes his visit will neutralize the opposition's charge that he is responsible for recent strains in US-Austrian relations.* [redacted]

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With a federal election scheduled for 24 April, the Chancellor looks to the visit to help reinforce his stature as Austria's preeminent and most popular politician and to ensure the extension of the Socialists' 12-year rule. The opposition has accused Kreisky of complicating relations with the US and other Western countries through his intrusive personal involvement in sensitive international issues. The Chancellor almost certainly hopes to deflate this criticism and to convince the public that he is still well regarded in the US and that bilateral ties remain sound. [redacted]

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### Bilateral Issues

[redacted]

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The Chancellor has promised to solve the nuclear waste problem before seeking a new plebiscite. He argues that, if the US wants the West Europeans to reduce their dependence on Soviet energy, Washington should help Western Europe solve the nuclear waste problem. [redacted]

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Kreisky also is prepared to discuss Austria's role in the transfer of denied technology to the East. Although recent talks appear largely to have calmed the matter, his delegation includes Austria's chief spokesman on the issue. [redacted]

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International Concerns

Kreisky enjoys playing the role of international statesman, and he probably will want to discuss events in the Middle East. Lately he has been uncharacteristically silent, but he has publicly supported the US peace proposal. [redacted]

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Although Kreisky has been critical of Israel and maintains close contact with the PLO, he probably prefers the role of mediator. He played a part, for example, in opening negotiations between PLO and Israeli representatives on an exchange of prisoners. He hopes to probe US officials about a response to possible PLO recognition of Israel. [redacted]

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The tenor of East-West relations continues to worry Kreisky. Although the Chancellor is firmly committed to the West and recognizes the need for a military balance in Europe to protect Austria's democracy, he almost certainly will express support for the principles of detente, which--along with expanded trade--he favors as a way to wean Eastern Europe from the USSR. [redacted]

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Top Secret  
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Kreisky also fears that tension between the US and the USSR increases the chances of war. He thus has opposed Western economic sanctions against Poland as counterproductive and tried to arrange for Western aid to rescue the Polish economy. [redacted]

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Kreisky's favorite topics also include a North-South dialogue and expanded aid from the developed countries to less developed ones. He has proposed a "Marshall Plan" of some \$200 billion for the Third World. Kreisky maintains that, aside from the humanitarian arguments, the plan makes economic sense in that it would help expand the markets for exports from industrialized states. [redacted]

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Top Secret  
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25X1

28 January 1983

**Top Secret**

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